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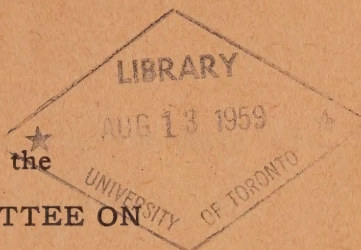
Canada, Canadian Trade Relations,
in Standing Committee, 1959

Second Session—Twenty-fourth Parliament

1959

THE SENATE OF CANADA

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Proceedings of the

STANDING COMMITTEE ON

CANADIAN TRADE RELATIONS

On the proposed resolution to approve the International Wheat Agreement
opened for signature at Washington, D.C., on April 6, 1959.

FRIDAY, JULY 3rd, 1959

The Honourable J. G. Turgeon, Acting Chairman

WITNESSES

Dr. Claude Hudson, Chief of Grain Division, Department of Trade and
Commerce; Mr. A. A. R. Gherson, Member of the Grain Division Branch,
Department of Trade and Commerce.

REPORT OF THE COMMITTEE

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1959

THE STANDING COMMITTEE ON CANADIAN TRADE RELATIONS

The Honourable A. N. McLean, *Chairman*

The Honourable Senators

*Aseltine	Kinley
Baird	Lambert
Bishop	Leonard
Blais	MacDonald
Brunt	*Macdonald
Burchill	McKeen
Campbell	McLean
Crerar	Methot
Davies	Molson
Dessureault	Paterson
Emerson	Petten
Euler	Pouliot
Fergusson	Pratt
Fraser	Robertson
Gouin	Smith (<i>Kamloops</i>)
Haig	Turgeon
Higgins	Vaillancourt—35.
Howard	

(Quorum 7)

**ex officio* member.

ORDER OF REFERENCE

Extract from the Minutes of Proceedings of the Senate, July 1st, 1959.

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Brunt:

That it is expedient that the Houses of Parliament do approve the International Wheat Agreement opened for signature at Washington, D.C., on April 6, 1959, and that this House do approve the same.

After debate,

By unanimous consent, it was—

Ordered, That the proposed resolution be referred to the Standing Committee on Canadian Trade Relations for consideration and report.

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

FRIDAY, July 3rd, 1959.

Pursuant to adjournment and notice the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m.

Present: The Honourable Senators:—Aseltine, Burchill, Crerar, Ferguson, Haig, Lambert, MacDonald, Macdonald, Pouliot, Smith (*Kamloops*), Turgeon.—11.

In the absence of the Chairman, the Honourable Senator Turgeon was elected as acting chairman.

In attendance: The official reporters of the Senate.

Pursuant to the order of reference of July 1st, 1959, the Committee proceeded to the consideration of the proposed resolution to approve the International Wheat Agreement opened for signature at Washington, D.C., on April 6, 1959.

Heard in explanation of the said proposed resolution were: Dr. Claude Hudson, Chief of Grain Division, Department of Trade and Commerce and Mr. A. R. A. Gherson, Member of Grain Division, Department of Trade and Commerce.

On MOTION of the Honourable Senator Macdonald, it was RESOLVED to report recommending that authority be granted for the printing of 800 copies in English and 200 copies in French of the proceedings on the said proposed resolution.

On MOTION of the Honourable Senator Lambert, it was RESOLVED to report recommending the said proposed resolution to the favourable consideration of the Senate.

At 12.15 p.m. the Committee adjourned to the call of the Chairman.

ATTEST.

Gerard Lemire,
Clerk of the Committee.

FRIDAY, July 3rd, 1959.

The Standing Committee on Canadian Trade Relations to whom was referred the proposed resolution for approval of the International Wheat Agreement opened for signature at Washington, D.C., on April 6, 1959, have in obedience to the order of reference of July 1st, 1959, considered the said proposed resolution and now report recommending it to the favourable consideration of the Senate.

All which is respectfully submitted.

J. G. TURGEON,
Acting Chairman.

THE SENATE

STANDING COMMITTEE ON CANADIAN TRADE RELATIONS

EVIDENCE

OTTAWA, Friday, July 3, 1959

The Standing Committee on Canadian Trade Relations met this day at 10.30 a.m. to consider the International Wheat Agreement, 1959.

Senator GRAY TURGEON (*Chairman*): I wish to express appreciation of your kindness in choosing me to act as Chairman of today's meeting of this Senate Committee on Canadian Trade Relations. I also wish to give you a message from the Chairman, Senator Neil McLean. He asked me to tell the Committee that he regretted it would be impossible for him to preside over today's meeting. His absence is caused by a serious illness in his family and he was forced to leave for home yesterday afternoon.

Senator MACDONALD: Mr. Chairman, I move that authority be granted to print 800 copies in English and 200 copies in French of our proceedings on the International Wheat Agreement, 1959.

Senator Ross Macdonald noticed that the reporters were not present and he moved that they be called to take down the evidence. Senator Aseltine seconded this motion. Senator Haig, objected. The Acting Chairman, Senator Turgeon, state that in his opinion it would be proper to have the reporters present. Senator Macdonald remarked that the report of the full discussion of this Committee would give an opportunity, to Senators who were not members of the Committee, to learn the whole story surrounding the International Wheat Agreement. Senator Macdonald's motion carried.

Senator HAIG: I want my objection to this motion recorded.

Senator HIGGINS: I join Senator Haig in his objection.

Motion agreed to.

The ACTING CHAIRMAN: Honourable senators, we have with us this morning Dr. Claude Hudson, Chief of Grain Division, Department of Trade and Commerce, and Mr. A. R. A. Gherson, Member of the Grain Division of the Department of Trade and Commerce. I will ask Dr. Hudson to make a statement to us now.

Senator ASELTINE: Mr. Chairman, I think we should follow the usual practice. We should have the representatives from the department give us a general outline of the treaty.

The ACTING CHAIRMAN: Yes. They are familiar with the treaty and if they would give us an outline of it we could have a question and answer period afterwards.

Dr. Claude Hudson, Chief of Grain Division, Department of Trade and Commerce: Mr. Chairman and honourable senators, I will very briefly review some of the principal points in the new agreement and then refer to the old agreement and the reasons why some of these changes were considered desirable. The objectives of the new agreement remain virtually the same

as in the old agreement, namely, the assurance of supplies to importing countries and of markets to exporting countries at equitable and stable prices. In addition to this principal objective there is also the general objective of providing a forum for discussion of the problems incidental to international trade in wheat, and particularly the question of overcoming hardships caused by overproduction to producers and exporters and of scarcity to consumers or importing countries.

Even though at the present time we have burdensome surpluses which are embarrassing exporting countries, in the early period of the International Wheat Agreement we had the reverse situation and at that time the International Wheat Agreement was of particular interest to the importing countries.

In so far as the actual agreement itself is concerned it attempts to set up a balance in terms of the rights and obligations of importers and exporters under article 4 on page 5 of the agreement. As article 4 provides, each importing country undertakes that not less than a specified percentage of the import requirements of that country—that is the commercial import requirements of that country—should be purchased from the exporting countries which are signatory to the agreement. On the other hand, the exporting countries undertake to provide the requirements of the importing countries during a period when the prices are below the maximum, and also to give them the security of assured supplies during a period of scarcity when prices reach the maximum. When the prices do reach the maximum of the range, then the exporting countries undertake to supply to the importing countries with quantities of wheat which are equivalent to the commercial imports of those importing countries from the exporters during a base period. This base period is taken as, say, the previous four years. In this way the importers are assured of supplies at not greater than the maximum price. The obligations of the importers to buy extend throughout the range at any point below the maximum price of the range. Under the new agreement the maximum price is \$1.90. At any time when the price goes to a point below \$1.90 per bushel on the basis of No. 1 Northern—wheat at Fort William-Port Arthur—the importing countries agree to purchase this prescribed percentage.

Senator HIGGINS: Who are the exporters?

Dr. HUDSON: The exporting countries are Argentina, Australia, Canada, United States—they are the big four—France, Sweden, Spain, Mexico and Italy. Mexico, Spain and Italy are new members of the agreement.

Senator HIGGINS: You mean that in Italy they grow wheat now?

Dr. HUDSON: Yes. They have been growing wheat always, of course; but they have increased their production particularly of soft wheats to the point where they are now exporting, and they have joined the agreement as an exporter—and also Spain and Mexico.

Senator HIGGINS: The importers are those who do not grow wheat at all?

Dr. HUDSON: Oh, no. Most of them grow wheat but not sufficient to meet their requirements.

Senator BURCHILL: Are there any exporters that are also importers?

Dr. HUDSON: Yes; this is true particularly of let us say France, which imports at times. Italy could be deficient on Durum wheats or hard wheats but have a surplus of soft wheats, and it is quite common that they import hard wheats and export soft wheats.

Senator POULIOT: Mr. Chairman, could the witness tell us who signed the agreement on behalf of Canada?

Dr. HUDSON: Mr. Chairman, the agreement was signed by the Canadian Ambassador to the United States on behalf of the Canadian Government.

Senator POULIOT: Who was he at the time?

Dr. HUDSON: Mr. Heeney.

Senator POULIOT: When was it signed?

Senator ASELTINE: I gave that information in the house.

Dr. HUDSON: April 22.

Senator POULIOT: Of this year?

Dr. HUDSON: Yes.

The ACTING CHAIRMAN: May I suggest that Dr. Hudson proceed for a little while, and then he will be in a better position to answer questions when he has finished his statement.

Senator POULIOT: Mr. Chairman, I was just following the line of questions, and I am sorry to have interrupted.

The ACTING CHAIRMAN: It is all right; you did not commence the questioning; but I would think that after the witness has finished his statement he would be in a better position to answer questions more fully and quickly.

Senator MACDONALD: Now that the witness has put on the record the name of the exporting countries, would it not be valuable if the names of the importing countries were added at the same time?

The ACTING CHAIRMAN: I had that in mind, that they could be put together.

Senator MACDONALD: They appear on pages 493r and 493s of the Minutes of the Proceedings of the Senate for June 23.

Senator ASELTINE: They appear in the annex to the agreement.

Senator MACDONALD: Yes.

Dr. HUDSON: Mr. Chairman, would you like me to read the names into the record?

The ACTING CHAIRMAN: Yes, I think so, if the members of the committee would like to have them. If not, they could be put on the record without reading them.

Senator POULIOT: Mr. Chairman, I am sorry to interrupt the witness, but I would like to know who establishes the quotas and if the Canadian Ambassador to the United States—

Senator ASELTINE: There is no quota under this agreement.

Senator POULIOT: Thank you.

The ACTING CHAIRMAN: Senator Aseltine, what do you think, that we should have the names read?

Senator ASELTINE: I think the witness might give the names now. We have the exporting countries, and I think we should have the importing countries now.

Dr. HUDSON: Mr. Chairman, would it be of interest when reading these names also to indicate the percentages which each country has agreed to?

The ACTING CHAIRMAN: Yes.

Dr. HUDSON: Mr. Chairman, and honourable senators, I now give the present signatories to the International Wheat Agreement, 1959. I might say that as in the case of Canada all of these signatories were on the basis that they would be ratified by their own governments, and this ratification has to be by the middle of July of this year. If I might just read the names of the countries that have signed the agreement at the present time, I would also indicate the percentage of their commercial import requirements which they have agreed to take from exporting countries. Now, I would emphasize

that these percentages are minimum, and that they agreed to take at least this percentage of their import requirements from exporting countries under the agreement:

	Per cent
Austria	45
Belgium and Luxembourg	80
Brazil	50
Cuba	90
Denmark	60
Dominican Republic	90
Federal Republic of Germany	70
Greece	50
Haiti	90
India	70
Indonesia	70
Ireland	90
Israel	60
Japan	50
Korea	90
Netherlands	75
New Zealand	90
Norway	60
Peru	70
Philippines	70
Portugal	85
Switzerland	80
Union of South Africa	90
United Arab Republic	30
United Kingdom	80
Vatican City	100

Mr. Chairman, I have omitted from the list of countries which appear in the annex, Ceylon, the Federation of Rhodesia and Nyasaland, Saudi Arabia, and Venezuela. These countries have not yet signed the agreement up to the last date on which the agreement was open for signature. These countries may still accede to the agreement, they may indicate up till the middle of July their intention to accede, and they may do so at any time up to December 1 of this year.

Senator MACDONALD: Would the witness estimate in bushels what this percentage might be?

In connection with the question put by the honourable senator, if I might just put this on a global overall basis, the percentages which are listed here on the basis of the normal requirements of these countries would amount to about 420 million bushels. This is an estimate.

Senator STAMBAUGH: Is that an average over a period of years?

Dr. HUDSON: This is based on their imports of, say, the last four years.

Senator MACDONALD: At the present time it would be interesting to know what 80 per cent of the United Kingdom requirements would amount to.

Senator ASELTINE: I understand they import about 130 million bushels, do they not, or that their requirements are 130 million bushels?

Dr. HUDSON: Yes. The 80 per cent would amount to about 130 million bushels.

Senator LAMBERT: The total import requirements of the United Kingdom run to over 200 million a year, do they not?

Dr. HUDSON: About 160 million bushels is their normal imports.

Senator LAMBERT: That is from all countries?

Dr. HUDSON: Yes.

Senator LAMBERT: Was it not greater than that? There is a population in England now of between 45 million and 50 million people, nearer 50 million than 45 million, and on the basis of a barrel of flour a head, which is the amount that we use, or about 4.5 bushels a head, I figure there would be over 200 million bushels.

Dr. HUDSON: That is the consumption. They of course do grow quite a bit themselves.

Senator LAMBERT: But not a great deal. However, what I was trying to get at by asking that question was the larger picture of world production of wheat which I think in rough terms is certainly over one billion bushels, which is divided between importing and exporting countries. Take a country like China, which is supposed to be producing now between 500 million and 600 million bushels, and Russia, and the rest of them, it gives a different picture of these percentages altogether if they are figured against the background of world production.

The ACTING CHAIRMAN: Is the answer to your question satisfactory, Senator Lambert?

Senator LAMBERT: Yes, Mr. Chairman.

Dr. HUDSON: I can give some statistics on that if you would like.

Senator LAMBERT: I think it would be interesting to have the picture of the total world situation in wheat.

Dr. HUDSON: On the basis of the best information available for the period 1952 to 1957, it is estimated that the total world production, that is on a global basis, was about 211 million metric tons.

Senator LAMBERT: Would that be long tons or short tons?

Dr. HUDSON: Metric tons, yes.

Senator LAMBERT: That is, 2,240 pounds to the ton?

Dr. HUDSON: 36.7 bushels to the metric ton.

Senator MACDONALD: What would be the total of 211 metric tons, in bushels?

Dr. HUDSON: It would be about eight billion bushels, roughly.

Senator LAMBERT: Is that the production of all the producing countries?

Dr. HUDSON: This is all countries. I may say just from the standpoint of a comparison, according to figures published by the United States Department of Agriculture, the world production of wheat during the last three years was about eight billion bushels as compared with about 6.9 billion for the period 1950 to 1954 and 5.8 billion for the period 1945 to 1949.

Senator LAMBERT: Do you happen to know what it was at the beginning of the war, 1939 to 1940?

Dr. HUDSON: We will try to get that figure later, Senator Lambert.

Senator LAMBERT: I just wanted to lead up to this point. These figures of world production rather go to support the position that was taken at the beginning of the war, in the early 1940's through the influence of Doctor Boyd-Orr and all those who were associated with him in picturing the most abject devastation of the world through hunger and shortage of food supply, and Washington was full of representatives of food organizations from Great Britain and elsewhere promoting as far as they possibly could the idea that

wheat should be stored and kept because it was imperishable, it would last a long time and would be ready to meet the hunger demands of the world sooner or later, before the war and after the war was over. Now then, we are all acquainted with Doctor Boyd-Orr's very interesting and very eloquent appeal made here and elsewhere, and it would look now as if the picture has changed considerably in relation to world supplies of the very things that they were being asked to produce and store for future use. For that reason I just wanted to know approximately what the world supply was now and if possible what the division of it might be between importing and exporting countries. We have in this country now considerably over one billion bushels of wheat alone in storage for our own purposes, and export purposes too.

If you take those countries that are producing wheat, Argentina, Australia, Russia, the Danubian countries, I was just wondering if the world's population is in danger of starvation now as it seemed to be when these people were promoting the cause of humanity in the early days of the war. What I am getting at is that this International Wheat Agreement I think, as I said in the house, myself, is the only way in which suppliers of wheat can attempt to rationalize the problem of supplies and demand at the present time.

It would be interesting to know in exact terms what the purpose was in relation to the joint requirements of importing countries and the available supply from exporting countries. There is nothing in this agreement to indicate what the exporting countries have to offer or what their quotas might be to meet the percentages that are cited here in connection with the importing countries.

Dr. HUDSON: Mr. Chairman, I think in terms of the situation at the present time, in total wheat production as compared with let us say the pre-war or early post-war period, there is very little change in the per capita production, because the population has been growing very rapidly in certain densely populated countries. However, what has emerged is an imbalance in terms of effective demand versus supply, which results in part from the fact that we have had the very large increase in production in certain areas of the world, particularly in North America where we have a surplus, and a deficit situation in Asia. So, on balance it would look as if there were adequate supplies, but the problem of course is marrying up the surplus in one place with the deficit of another.

Senator LAMBERT: A problem of distribution.

Dr. HUDSON: Yes, and purchasing power.

The ACTING CHAIRMAN: I rise to make a suggestion, largely in view of the statement made by Senator Lambert and for other reasons. I was wondering whether, now that we have the names of the various countries involved on both sides, Dr. Hudson might wish to put on the record the statement of the objectives of the agreement as contained in Article 1.

Dr. HUDSON: Mr. Chairman, the objectives of the agreement as listed under Article 1 are as follows:

- (a) to assure supplies of wheat and wheat-flour to importing countries and markets for wheat and wheat-flour to exporting countries at equitable and stable prices;
- (b) to promote the expansion of the international trade in wheat and wheat-flour and to secure the freest possible flow of this trade in the interests of both exporting and importing countries;
- (c) to overcome the serious hardship caused to producers and consumers by burdensome surpluses and critical shortages of wheat;

- (d) to encourage the use and consumption of wheat and wheat-flour generally, and in particular, so as to improve health and nutrition, in countries where the possibility of increased consumption exists; and
- (e) in general to further international co-operation in connexion with world wheat problems, recognizing the relationship of the trade in wheat to the economic stability of markets for other agricultural products.

The ACTING CHAIRMAN: Do you wish to make a general statement in that respect, or would you prefer to answer questions?

Dr. HUDSON: I think, Mr. Chairman, with the agreement before us, it might be better if the honourable senators would direct questions.

Senator BURCHILL: I have a question to ask, Mr. Chairman. According to the figures given Senator Lambert, did I understand the witness to say the total production of wheat was about 8 billion bushels?

Senator MACDONALD: That was the average from 1952 to 1957.

Senator BURCHILL: Those are the latest figures you have?

Dr. HUDSON: That is approximate, sir.

Senator BURCHILL: The percentages that you gave us, covered by this agreement, amounted to around 420 million bushels. Is that about correct?

Dr. HUDSON: Yes.

Senator BURCHILL: That is the quantity that this agreement covers?

Dr. HUDSON: Yes.

Senator BURCHILL: Which is what, about 20 per cent of the world wheat production, that we are dealing with?

Senator MACDONALD: Less than that.

Dr. HUDSON: Mr. Chairman, Senator Lambert raised the question earlier as to how the exports compared with total production. The exports of wheat for 1957-58 are estimated, according to the United States statistics, at about 32 million metric tons.

Senator MACDONALD: Are you going to relate that to bushels?

Senator LAMBERT: 36.7 bushels to the ton.

Senator BURCHILL: Mr. Chairman, while Dr. Hudson is looking up that information, may I correct the figure of 20 per cent I mentioned a moment ago. It should be 1-20th or 5 per cent.

Dr. HUDSON: The total exports, Mr. Chairman, in bushels would be about 1,175 million bushels.

Senator LAMBERT: That is the translation of metric tons into bushels.

Dr. HUDSON: Yes. That would compare with about 8 billion bushels of total world production.

In this connection it might be of interest also, Mr. Chairman, to note that out of the total world estimate of 211 million metric tons for the period 1952-57, the United States and Canada together accounted for about 43 million, Russia 52.5 million, mainland China, including North Korea and North Vietnam, about 22 million, and the Indian subcontinent, including India and Pakistan, about 11 million.

Now, I might also mention that Western Europe is 35 million. This gives, Mr. Chairman, some picture of the relative importance of the production in many of these countries which we think of as importing countries, and we do not realize the great volume of production that they have.

Senator LAMBERT: Did you say Europe was 55 million?

Dr. HUDSON: 35 million.

Senator CRERAR: What are those estimates based on?

Senator LAMBERT: Statistical information.

Dr. HUDSON: They are partly from United States statistics, and also from statistics gathered by the FAO and also the International Wheat Council.

Senator MACDONALD: It might help if we knew which countries were the large importing countries. You told me that 80 per cent of the United Kingdom's requirements would amount to 700 million, but I think it would be more correct to say 128 million.

Dr. HUDSON: 130 million, sir.

Senator MACDONALD: Yes, that is 130 million which would leave 290 million to be imported by the other countries who are parties to the agreement. Which countries are the large importers?

Dr. HUDSON: The United Kingdom, sir, is the largest.

Senator MACDONALD: Yes, it is the largest, certainly.

Senator CRERAR: The United Kingdom's production has risen quite sharply since the end of the war.

Dr. HUDSON: The United Kingdom, Mr. Chairman, would be followed by West Germany. I do not know if the members of the committee would be interested in quantities or just in the—

The ACTING CHAIRMAN: Gentlemen, do you want quantities or just the relative positions?

Senator MACDONALD: I would like to know the quantities.

Dr. HUDSON: From the statistics I have in front of me, Mr. Chairman—again, this is in terms of metric tons—the United Kingdom was 5.1 million metric tons. Germany was 2.6 million.

Senator MACDONALD: And you multiply that by—

Dr. HUDSON: 36.7.

Senator MACDONALD: So it would be about 75 million.

Senator CRERAR: What year is that?

Dr. HUDSON: This is 1957-58, sir.

Senator LAMBERT: That is about right.

Dr. HUDSON: India would be third at 3 million, but in this particular case we have to note that most of its imports were on a special transaction basis rather than a commercial basis.

Senator STAMBAUGH: It would not come under the wheat agreement?

Dr. HUDSON: No. So Japan would be next on the commercial basis at 2.4 million, the Netherlands at 1.0 million, and Belgium and Luxemburg would be .4 million tons.

Senator MACDONALD: I do not want the rest of it.

Dr. HUDSON: Those were the largest, sir.

Senator MACDONALD: So the largest in order would be the United Kingdom, Japan—

The Acting CHAIRMAN: No, Germany came next.

Senator MACDONALD: The United Kingdom and Germany and then Japan?

Dr. HUDSON: Yes.

Senator LAMBERT: The point of this, Mr. Chairman, is that the figure the witness gave us earlier of 420 million is the amount of the requirements from the exporting countries under this agreement.

Dr. HUDSON: I think on this point, Mr. Chairman, I should clear this up. 420 million would be the translation of these minimum percentages in terms of bushels, but we must remember, of course, that the actual imports of these countries from the countries which are exporters under the wheat agreement will be much larger than this.

Senator LAMBERT: You can take it another way, and say that the countries which have exportable surpluses might regard 420 million as the minimum figure—

Dr. HUDSON: That is right, sir.

Senator LAMBERT: —which would be required by the importing countries?

Dr. HUDSON: Yes, sir.

Senator LAMBERT: Now, that is a very important figure in relation to the questions Senator Macdonald has been asking, and it might be more, as you say, and if it is then it would be all to the good because there is always much more exportable surplus than 420 million.

Dr. HUDSON: This quantity is not a guaranteed quantity in the same sense as under the present agreement. For example, let us take the case of South Africa. If it produces enough for its own requirements, as it did up to one or two years ago, then it is not obliged to import anything, but should it have to import then it agrees to take this percentage of its import requirements from these exporters. Now, the 420 million that we mentioned is based on the average of the last four years, which is a fair expectation.

Senator LAMBERT: If we boil the whole thing down do we not get this picture that it is on a desired basis of co-operation amongst the exporting and importing countries—

Dr. HUDSON: Yes, sir.

Senator LAMBERT: —rather than a fixed practical plan of marketing?

Dr. HUDSON: Yes, sir.

Senator LAMBERT: Yes, that is the whole point. It is an attempt to ration—a very difficult problem; that is all.

Dr. HUDSON: Yes. As a matter of fact, Mr. Chairman, for the importing countries to obtain their normal supplies they must take considerably larger quantities than are mentioned here. These are minimum quantities, and they will, in fact, take larger quantities.

Senator MACDONALD: The United Kingdom will take 30 million more. They are bound to take all their requirements under this agreement with the exception of 30 million which, I understood you to say—

Senator LAMBERT: It is 80 million, actually, They are taking 80 million from us, and 100 million from the rest, just on the basis of the tentative figures.

The ACTING CHAIRMAN: I take it from what you said a while ago that when those in charge of this whole transaction are considering the requirements of exporting countries, and the percentages they must take, they differentiate between commercial transactions and special purchases?

Dr. HUDSON: That is very true, Mr. Chairman, and it is one of the main points in this agreement as compared with the old agreement. The old agreement did not take into account the special transactions under the United States' program, or various other program by which wheat is supplied on a concessional or gift basis. Under this new agreement, while these percentages only refer to commercial purchases, it is provided, nevertheless, that all transactions between the exporting countries and the importing countries will be recorded. So that in this way the secretariat of the International Wheat Council will have at their disposal and for the information of members, as complete a

picture as possible of trade in wheat amongst these countries. They will be able to provide this information for the purposes of the annual review, which is also a new feature of this agreement. This review will provide an opportunity for member countries to review the trade, both commercial and non-commercial, and also review what is happening in terms of production in both exporting and importing countries. It will touch on the policies of the member countries which may have some bearing on the free movement of wheat into these countries.

Senator LAMBERT: That review will be published in the form of a report, I suppose, and will be made available to the different countries?

Dr. HUDSON: I presume this information will be available at the meeting of the Wheat Council and that they will discuss various aspects of it.

Senator LAMBERT: Has the F.A.O., under the United Nations been in the habit of publishing a report of this kind? It seems to me I received some of their figures when I was a delegate to the United Nations, but I have not seen any recently.

Dr. HUDSON: For example, the F.A.O. publishes this booklet entitled *World Grain Trade Statistics* and the Wheat Council publishes this booklet *World Wheat Statistics*. So that between these two sources the statistics are generally available, but they do not at the present time provide a breakdown on the basis of commercial and special transactions.

Senator LAMBERT: I think it would be a very good supplement to these documents if the International Wheat Agreement Council would see to it that there was a more detailed report given.

The ACTING CHAIRMAN: I believe they are supposed to do it under the agreement we are discussing.

Dr. HUDSON: Mr. Gherson was just mentioning to me, Mr. Chairman, that the material which member countries will be sending in to the Wheat Council secretariat is on a confidential basis, but it may be that following the annual review, the Council will agree to circulate it or make it generally available.

Senator LAMBERT: I think it is something like a revelation of the C.B.C's details. As contributors to this scheme it would be a very advisable thing to have it. It certainly would be informative and give the rank and file of us who are interested in this a more realistic basis of approach to the whole problem.

Senator CRERAR: Have you the figures of the total volume of international trade for the year 1957-58 in wheat?

Dr. HUDSON: Yes, that would be included in this volume here.

Senator CRERAR: That is the Wheat Board report?

Dr. HUDSON: The Wheat Council statistics.

Senator CRERAR: What are the figures? I have not seen them. I would like to know the total amount of trade in wheat, the total volume of exports by all countries in 1957-58.

Dr. HUDSON: We mentioned this figure—

Senator ASELTINE: Is that not on the record?

Dr. HUDSON: Yes.

Senator LAMBERT: Yes, it was given before Senator Crerar came in.

Dr. HUDSON: The total exports amounted to 1,175,000,000 bushels.

Senator CRERAR: Britain agrees to take 80 per cent of its imports through this agreement—

Senator ASELTINE: Commercial imports.

Senator CRERAR: Just a moment. Does that mean 80 per cent of commercial exports or 80 per cent of commercial and special transactions combined?

Dr. HUDSON: The percentage provided in the agreement is only the percentage of the commercial imports.

Senator CRERAR: India agrees to take 70 per cent. Would that be all commercial?

Dr. HUDSON: No, that is 70 per cent of their commercial imports. This, I think, is a very good illustration of a situation when a large proportion of their imports are obtained on special terms; whereas in the United Kingdom, all imports of wheat are commercial. There are no special transaction applying to the U.K.

Senator CRERAR: India has been importing wheat in the past under what are described in the agreement as special transactions. Are we to assume they will take 70 per cent as ordinary commercial transactions and take whatever balance they require probably through special transactions?

Dr. HUDSON: No, senator. They will still take by far the bulk of their imports on a special transaction basis. Agreement between the United States and India provides for the sale of large quantities of wheat to India under P.L. 480 for local currency. It would only be such quantities as India buys commercially that this 70 per cent would apply to.

Senator CRERAR: Would that leave the United States in a position where they would bargain with India on the basis that they would say to India "Now, we will supply you with a volume of wheat through special transactions if you will take a certain amount under the old commercial method?"

Dr. HUDSON: This situation did exist but as a result of discussions with the United States through the new Wheat Utilization Committee which was established as a result of the Food for Peace Conference called by President Eisenhower, the United States has agreed that she will discontinue the tying in of commercial purchases with special transactions. I should qualify this to the extent that exceptions might be made under special circumstances. By and large they have agreed to discontinue this practice.

Senator CRERAR: In other words, while they make that general agreement there are loopholes in it?

Dr. HUDSON: Well, not, I think, serious loopholes. If special circumstances arose they would discuss the situations with Canada and other interested exporting countries. They have given a broad assurance that tied-in sales of the type you mentioned will be discontinued, and I think we can assume that this assurance will cover almost all transactions.

Senator CRERAR: You mentioned a moment ago, I believe, for the year 1957-58, a figure of one billion, 100 million bushels. How much of that was under the International Wheat Agreement?

Dr. HUDSON: Mr. Gherson has just advised me that the guaranteed quantities were 295 million, but the quantities actually recorded were about 195 million bushels.

Senator CRERAR: Of the volume in that particular year of one billion, 100 million, roughly 200 million was through the instrumentality of the International Wheat Agreement?

Dr. HUDSON: Well, I think perhaps we might just refer back to the present International Wheat Agreement, and while there are quotas established under that agreement importing countries are not obliged to record every transaction; they may have a certain guaranteed quantity but they may elect for some reason or other that they do not wish to have these recorded. Therefore, quite a lot of this trade may have been recordable but actually not reported for recording under the agreement.

Senator CRERAR: Did these countries in the year under discussion take their quantities under the agreement that they were supposed to take?

Dr. HUDSON: I think that it might be useful, going back through the agreements, to indicate just how important the guaranteed quantities were in terms of the total trade. Now, for example, in 1953-54 the guaranteed quantities were 47 per cent of the total world imports of wheat, but this percentage decreased until in 1957-58 the guaranteed quantities were only 29 per cent of the total import trade. Now, the recorded transactions in this most recent year were only 66 percent of the guaranteed quantities. I think this answers in part your question, sir. And the recorded quantities under the wheat agreement were 30 per cent of the total trade between the wheat agreement exporters and wheat agreement importers.

Senator CRERAR: Where did they get the balance of their requirements?

Dr. HUDSON: They got the balance from the same countries, but it was not recorded. This was one of the points of weakness that have been showing up in recent years under the old agreement, and one of the reasons it was felt desirable to make some change in the approach.

Senator CRERAR: As a matter of fact, was not the grain trade in Canada and the United States, and Britain, and elsewhere, pretty well aware of these movements without these being recorded?

Dr. HUDSON: Oh, yes.

Senator CRERAR: Of course, they always have been aware of it.

Dr. HUDSON: And they have been recorded in the statistics, in any case. But this was merely a recording under the terms of the old agreement where importers agreed to accept certain guaranteed quantities if the price went to the minimum, and since importers were afraid of being called to take those quantities at the minimum, therefore they made their guaranteed quantities less than their actual requirements.

The Acting CHAIRMAN: Any further questions?

Senator MACDONALD: The three best customers in the world for wheat are the United Kingdom, Germany and Japan; is that correct?

Dr. HUDSON: That is correct.

Senator MACDONALD: Now, under this agreement if an exporting country, for instance, Canada, is prepared to sell wheat to these countries at \$1.90 a bushel are these countries required to take that wheat up to the specified quantity at that price?

Senator LAMBERT: Down to \$1.50.

Dr. HUDSON: The commitment on the part of the importers extends throughout the range; in other words, at any point within the range below the maximum, at any point say below \$1.90.

Senator MACDONALD: Well, supposing another country will sell at \$1.49 and Canada will sell at \$1.50, are the importing countries required to take their quota at \$1.50?

Dr. HUDSON: Yes.

Senator LAMBERT: Mr. Chairman, there have been special sales made by Canada at what you might call special prices over three or four years, such as the contract with Russia, for instance, which was made during Mr. Howe's regime,—really an agreement for three years, was it not, which has expired?

Dr. HUDSON: But that was a commercial transaction, sir, and at the regular price that prevailed on that particular date.

Senator LAMBERT: I was under the impression that it was otherwise.

Dr. HUDSON: No, it was an entirely commercial transaction on a cash basis and at the going price at that date.

Senator LAMBERT: At the scale under the agreement prices?

Dr. HUDSON: Yes.

Senator MACDONALD: Would there be competition between the exporting countries up to the quota between the prices of \$1.50 and \$1.90?

Dr. HUDSON: Yes.

Senator MACDONALD: If Canada wants to sell at \$1.90 there is nothing to prevent say Mexico from offering the same wheat at \$1.50?

Dr. HUDSON: That is right.

Senator LAMBERT: But with the qualification that Japan, China, the West Indies, or some other country, would require that a lower grade of wheat would be at a lower price than \$1.50?

Dr. HUDSON: Oh, yes. The prices as established in the Wheat Agreement refer to No. 1 Northern, based at Fort William-Port Arthur.

Senator LAMBERT: Nos. 1, 2 and 3, is it not?

Dr. HUDSON: Well, the basis of \$1.50 to \$1.90 is for No. 1, and for other wheats from other countries, other grades of wheat, equivalent prices will be established under a formula prescribed in the agreement (Article 6).

Senator MACDONALD: Have you any information about Canada's share of world trade in wheat? My information is that in 1953 Canada's share of world trade in wheat was approximately 40 per cent. Have we held that position?

Dr. HUDSON: This is of total exports?

Senator MACDONALD: Yes.

Dr. HUDSON: On the basis of the table that I have here, in 1957-58, again in metric tons, Canada's exports amounted to 8,595,000 metric tons out of a total of about 32 million.

Senator MACDONALD: What percentage would that be?

Dr. HUDSON: The percentages are given in this International Wheat Council statistical report for various years. I will give them for the average, the four crop years 1949/50-1952/1953, that is, the average over that period, 34.8 per cent.

Senator MACDONALD: Of world trade?

Dr. HUDSON: Yes.

For the crop years 1953-54, 36.9 per cent; 1954-55, 28.6 per cent; 1955-56, 29.4 per cent; 1956-57, 26.2 per cent. This is the total for exporting countries but excluding the U.S.S.R.

Senator MACDONALD: So we have been losing our position in the world as an exporter of wheat during the years you have mentioned?

Senator LAMBERT: No, I think that is wrong. I think we have increased our exports of wheat over the years.

Senator HAIG: Mr. Chairman, would the witness read the figures for the last four years again?

Dr. HUDSON: Perhaps if I were to just give the total world exports, and those figures will include Russia, and the Canadian exports, this would give you the information.

For the period 1935-39, out of a total world average export of wheat amounting to 17.4 million metric tons, Canada exported 4.4 million. That was the average for 1935-39, pre-war;

For 1954-55, the total was 26.4 million. Canada's exports were 6.9 million;

For 1955-56, the total was 29.0 million, and Canada's exports were 7.9 million metric tons.

For 1956-57, the total was 36.2 million, and Canada's exports were 7.7 million;

In 1957-58, the total had fallen back to 32.2 million metric tons and Canada's exports were 8.6 million.

Thus during this period as compared with 4.4 million, pre-war, Canada's exports are now 5.6 million, but at the same time world exports have gone from 17.4 million to 32 million.

Senator BURCHILL: What was the figure for 1957-58?

Dr. HUDSON: The total was 32.2 million.

Senator BURCHILL: What was Canada's share?

Dr. HUDSON: 8.6 million metric tons.

Senator MACDONALD: That would be about 25 per cent.

Senator LAMBERT: That shows an increase really in our Canadian exports, out of that total.

Dr. HUDSON: Yes, but a decreasing percentage because of the increased trade.

Senator LAMBERT: But has there not been a broader distribution since the end of the war? Canada has adjusted her trade considerably with other countries she never exported to before at all.

Dr. HUDSON: One of the factors in this increase in exports is the concessional exports from the United States which might be of interest to the committee, Mr. Chairman. In 1954-55 the United States commercial exports were 3.1 million metric tons, and their concessional exports, 4.3 million.

Senator LAMBERT: What do you mean by concessional?

Dr. HUDSON: Sold for local currency or some other such arrangement, under public law 480.

Senator LAMBERT: And that has affected Canada's exports?

Dr. HUDSON: No, but it does affect the total. The special transactions from the United States increased. They were 10 million metric tons in 1956-57 while their commercial exports were 4.7 million.

Senator LAMBERT: That is out of a total of 36 million tons?

Dr. HUDSON: Yes.

Senator MACDONALD: So the world market for wheat has increased over the years and Canada's percentage of that amount has decreased?

Dr. HUDSON: That is right.

Senator MACDONALD: So we have not held our place in the world's market as far as wheat is concerned?

Senator LAMBERT: Well, that is due to another factor altogether.

Senator MACDONALD: Well, what I am getting now are the facts.

Dr. HUDSON: We should note that this increase in total exports is to a great extent due to the special exports from the United States and other countries too. That is one of the main factors.

The Acting CHAIRMAN: Senator Macdonald, have you the information as to the facts you wanted?

Senator STAMBAUGH: Mr. Chairman, I would like to put this in a little different way. As far as commercial transactions are concerned Canada has actually held her own?

Senator LAMBERT: It has increased its position.

Senator STAMBAUGH: If you take out the special transactions, Canada has actually increased its position, has it not?

The Acting CHAIRMAN: Are there any further questions?

Senator HAIG: Mr. Chairman, I would like to find out who were present at the negotiations concerning this agreement?

Dr. HUDSON: Mr. Chairman, the agreement was negotiated in Geneva. There were two sessions. The first session was held in November, and the second one was held in January. Would you like a list of the Canadian representatives?

Senator HAIG: I would like to know who they represented.

Dr. HUDSON: The official representatives were officials of the Government and the Canadian Wheat Board.

Senator HAIG: Was a representative of the wheat pools there?

Dr. HUDSON: The representatives of the wheat pools and of the farm organizations were there as members of the Advisory Committee to the Canadian Wheat Board. The members of the Advisory Committee to the Canadian Wheat Board are drawn from these organizations and they were present as advisors to the Canadian Delegation at the final session.

Senator HAIG: Did all the advisors agree to this agreement.

Dr. HUDSON: Yes.

Senator HAIG: Did they all approve of it?

Dr. HUDSON: Yes.

Senator HAIG: Thank you.

Senator MACDONALD: I wonder if the witness could give us any information on the position of wheat in Canada today: what is our surplus, and what are the prospects for the current year?

Dr. HUDSON: Do you wish information on the general world situation?

Senator MACDONALD: Yes, in the first instance.

Dr. HUDSON: I don't know in what detail the committee might like this information, Mr. Chairman, but part of a paper which I presented in Winnipeg two weeks ago deals with the current world situation. If it would interest the committee, I could take the information from that paper.

The ACTING CHAIRMAN: If you prefer to do that, please do.

Dr. HUDSON: World wheat supplies at the beginning of 1959 were probably at a record level. Production of wheat in 1958 is estimated at approximately 250 million metric tons (9.1 billion bushels), exceeding the previous record in 1956 by over 13 per cent and the 1957 crop by almost 20 per cent. The aggregate quantity of the carry-over existing in all countries at the beginning of their respective crop years is estimated at nearly 50 million metric tons (1.8 billion bushels). This amount exceeds by more than 60 per cent the annual total of the international wheat trade. Global availability of wheat in 1958-59 should therefore be close to 300 million metric tons (11 billion bushels).

The larger output of 1958 was mainly the result of bumper crops harvested in the three major producing countries: the U.S.S.R., the United States and China. The United States record crop of 39.5 million metric tons exceeded that of 1957 by 14 millions tons. On the other hand, Canada's crop of 368.7 million bushels (10 million metric tons) was slightly lower than that of the year before and well below the average for the past 10 years.

In Western Europe wheat production was, in general, less satisfactory than in the previous year. It is now estimated at 36.2 million tons, about 1 million tons less than in 1957. France accounts for much of the reduction. In the Scandinavian countries, in Spain and in Portugal the outturn was considerably smaller than in the previous year. The crops of the United Kingdom, Germany, Belgium and the Netherlands measured up well from a quantity standpoint to those of 1957, but their quality was much poorer. Good crops were harvested in Italy and Greece. The harvest was also good in Turkey and some recovery occurred in North African production.

The output of Eastern Europe, Russia excluded, was on the whole smaller than in 1957, sizable reductions occurring in Yugoslavia, in Hungary, in Roumania, in Bulgaria, and in Czechoslovakia.

In the southern hemisphere aggregate wheat production was larger than in the preceding year, in spite of marked differences among countries. Australia's crop more than doubled and the harvest was also abundant in Argentina. Production was below normal in South Africa, in Brazil and in Uruguay. Some tropical countries like India and Pakistan, where harvesting time is again imminent, had in 1958 very disappointing crops, but the prospects for the new crops are excellent.

As a result of increased requirements of importing countries, international trade in wheat is currently running higher than in the preceding year, but will probably not reach the record level of 1956-57. The 1957-58 exports of wheat under special programs accounted for 30 per cent of the world wheat trade and will probably be as large in 1958-59. Although consumption of wheat is likely to show an increase in the current season, the abundant harvests of 1958-59 will result in a substantial addition to stocks of wheat. According to F.A.O. estimates, carry-over stocks of wheat held by the four major exporting countries will probably increase to 51 million tons by the end of the current season. This stock would be 70 per cent more than annual world exports. While it is expected that the United States will contribute 11 million tons to this increased level of stocks, the report suggests that Canadian stocks may be reduced by about 3 million tons.

Senator MACDONALD: Dr. Hudson, I think you said it is expected this year that the sale of wheat by special transaction will amount to about 30 per cent.

Dr. HUDSON: I said that last year it amounted to about 30 per cent, and it was expected that it would be as high this year as last year.

Senator MACDONALD: You said earlier in your evidence, as I understood you, that the United States was not going to enter into as many of these special transactions this year.

Dr. HUDSON: I did not intend to say that, sir.

Senator MACDONALD: Perhaps I misunderstood you.

Senator PEARSON: When you say that Canada will reduce her wheat stock by 3 million tons, do you mean the total stocks in Canada will be reduced by that amount?

Dr. HUDSON: This estimate applies to the carry-over of stocks. I must say it is not my estimate, but that of the F.A.O. statistics, and I would not want to say how close it will be. However, the stocks will certainly be reduced.

Senator LAMBERT: That is anticipating a shorter crop this year.

Dr. HUDSON: No. This refers to the stocks before the crop is harvested.

Senator MACDONALD: That is for the crop year ending at the end of this month.

Dr. HUDSON: That is right.

Senator MACDONALD: Would the witness like to give us his opinion as to the prospects for the coming year?

Senator HAIG: It is too early; it can't be done.

Senator MACDONALD: I have heard other experts give opinions. The witness could take into consideration the weather, the amount of land seeded, and so on.

Dr. HUDSON: I think, Mr. Chairman, it is rather hazardous to make an estimate at this time on anything that can be as variable as wheat production.

The ACTING CHAIRMAN: Perhaps we should excuse the witness on that point.

Senator LAMBERT: Mr. Chairman, I move that this agreement be concurred in. There are all sorts of uncertainties and hopeful anticipations that cannot be set down definitely. As to the principle of the agreement, we have been approving it now for the past 15 or 20 years.

Senator MACDONALD: I second the motion.

Motion agreed to.

Senator MACDONALD: Mr. Chairman, I am sure the committee would like to express its appreciation to Dr. Hudson for the valuable information he has given. Notwithstanding the objection of certain senators to having the evidence reported, I am pleased that we will have a record of what has been said. In doing so, we have offended no one, and what has been said will be helpful to all of us when the question of wheat is again discussed in the Senate.

Senator ASELTINE: I join in the thanks to Dr. Hudson for his information here today, and for the help he has given me in presenting the agreement and its terms to the Senate. I am sure the information he has given today will be appreciated by the public generally.

The ACTING CHAIRMAN: May we extend our thanks also to Mr. Gherson for the help he has given Dr. Hudson in his presentation.

—Whereupon the committee adjourned.

